

**CITY OF WATONGA OKLAHOMA  
WATONGA, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2022**

**CITY OF WATONGA, OKLAHOMA**  
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**For the fiscal year ended JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Watonga, Oklahoma

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Watonga, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Watonga, Oklahoma's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Watonga, Oklahoma, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Watonga, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Watonga, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Watonga, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Watonga, Oklahoma's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension schedules on pages 4–10 and 38–42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

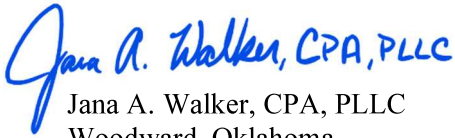
#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Watonga, Oklahoma's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, on our consideration of the City of Watonga, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Watonga, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Watonga, Oklahoma's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC  
Woodward, Oklahoma  
December 29, 2022

Within this section, the City of Watonga's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2022. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

## FINANCIAL SUMMARY

- At June 30, 2022, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$20,491,510 (net position). Of this amount \$4,017,008 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compared to the previous year when assets exceeded liabilities by \$19,098,421.
- The City's total net position are comprised of the following:
  - (1) Invested in capital assets, net of related debt of \$16,294,601 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
  - (2) Restricted net position of \$179,901.
  - (3) Unrestricted net position of \$4,017,008 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City decreased by \$5,061 during the fiscal year.
- After transfers of \$1,463,373 from business-type activities to governmental activities and \$874,968 to Mercy Hospital Watonga, net position of governmental activities increased \$408,957 or 6.68%, and net position of business-type activities increased \$984,132 or 7.58%.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,085,990 or 60.34% of total General Fund expenditures, excluding transfers.

## OVERVIEW OF THE FINANCIAL STATEMENTS

*Management's Discussion and Analysis* introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

### **Government-wide Financial Statements**

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resourced available and whether the City can continue to meet it objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement

of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electricity, water, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). Most of these legally separate organizations are blended into the primary government for financial reporting purposes. Other organizations operate more independently or provide services directly to the citizens, though the City remains accountable for their activities. The Watonga Public Library is reported separately from the primary government, though included in the City's overall reporting entity.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations and to demonstrate fiscal accountability. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund: enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

*Fiduciary funds* such as the meter deposit funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

**Notes to the financial statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's pension benefits provided to its employees.

Major funds and component units are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major and fiduciary funds are presented in a subsequent section of this report.

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Position**

The City's combined net position at June 30, 2022 is \$20,491,510. This is a \$1,393,089 increase (depreciation expense is \$1,816,814- a non-cash expense) over June 30, 2021 net position of \$19,098,421. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$6,530,859 and \$13,960,651, respectively.

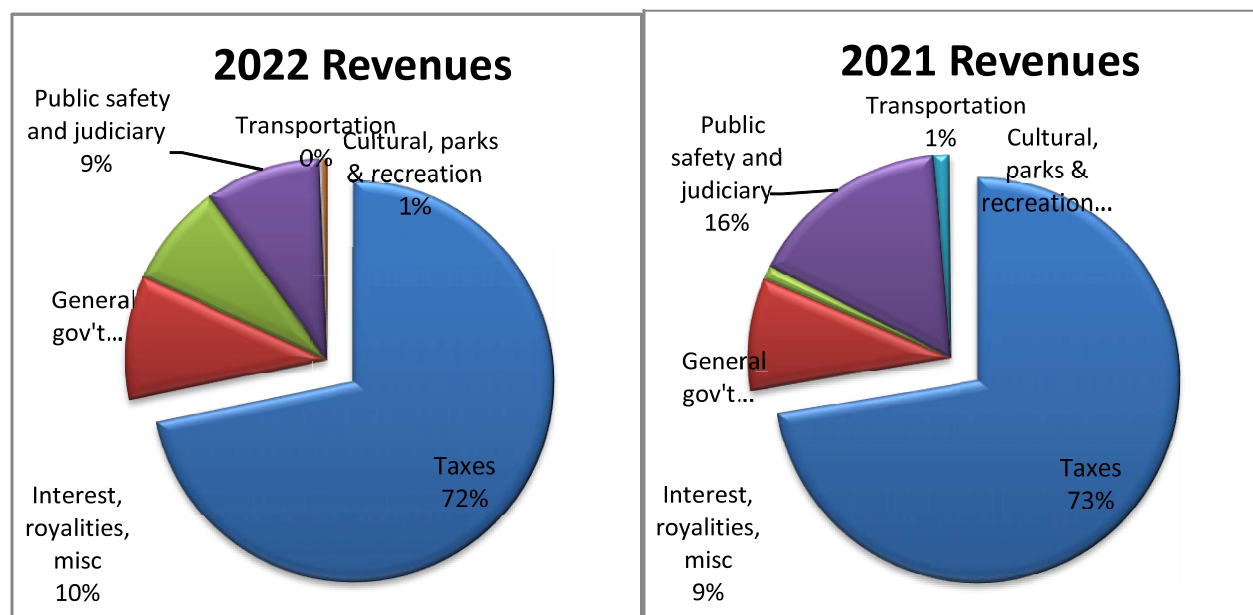
**Summary of Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>		
Current and other assets	\$ 3,376,289	\$ 2,898,677	\$ 3,507,556	\$ 2,064,431	\$ 6,883,845	\$ 4,963,108	\$ 1,920,737	27.9%
Other noncurrent assets	376,349	-	-	-	376,349	-	\$ 376,349	
Capital assets, net	5,989,588	6,582,556	11,268,074	11,329,271	17,257,662	17,911,827	\$ (654,165)	-3.8%
<b>Total assets</b>	<b>9,742,226</b>	<b>9,481,233</b>	<b>14,775,630</b>	<b>13,393,702</b>	<b>24,517,856</b>	<b>22,874,935</b>	<b>\$ 1,642,921</b>	<b>6.7%</b>
<b>Deferred outflows of resources</b>	<b>705,733</b>	<b>835,493</b>	<b>-</b>	<b>-</b>	<b>705,733</b>	<b>835,493</b>	<b>(129,760)</b>	<b>-18.4%</b>
Long-term liabilities	1,711,808	3,146,612	-	-	1,711,808	3,146,612	\$ (1,434,804)	-83.8%
Other liabilities	516,899	716,439	814,979	417,183	1,331,878	1,133,622	\$ 198,256	14.9%
<b>Total liabilities</b>	<b>2,228,707</b>	<b>3,863,051</b>	<b>814,979</b>	<b>417,183</b>	<b>3,043,686</b>	<b>4,280,234</b>	<b>\$ (1,236,548)</b>	<b>-40.6%</b>
<b>Deferred inflows of resources</b>	<b>1,688,393</b>	<b>331,773</b>	<b>-</b>	<b>-</b>	<b>1,688,393</b>	<b>331,773</b>	<b>1,356,620</b>	<b>80.3%</b>
<b>Net position:</b>								
Invested in capital assets, net of related debt	5,026,527	5,090,084	11,268,074	11,329,271	16,294,601	16,419,355	\$ (124,754)	-0.8%
Restricted	179,901	320,157	-	-	179,901	320,157	\$ (140,256)	-78.0%
Unrestricted	1,324,431	711,661	2,692,577	1,647,248	4,017,008	2,358,909	\$ 1,658,099	41.3%
<b>Total net position</b>	<b>\$ 6,530,859</b>	<b>\$ 6,121,902</b>	<b>\$ 13,960,651</b>	<b>\$ 12,976,519</b>	<b>\$ 20,491,510</b>	<b>\$ 19,098,421</b>	<b>\$ 1,393,089</b>	<b>6.8%</b>

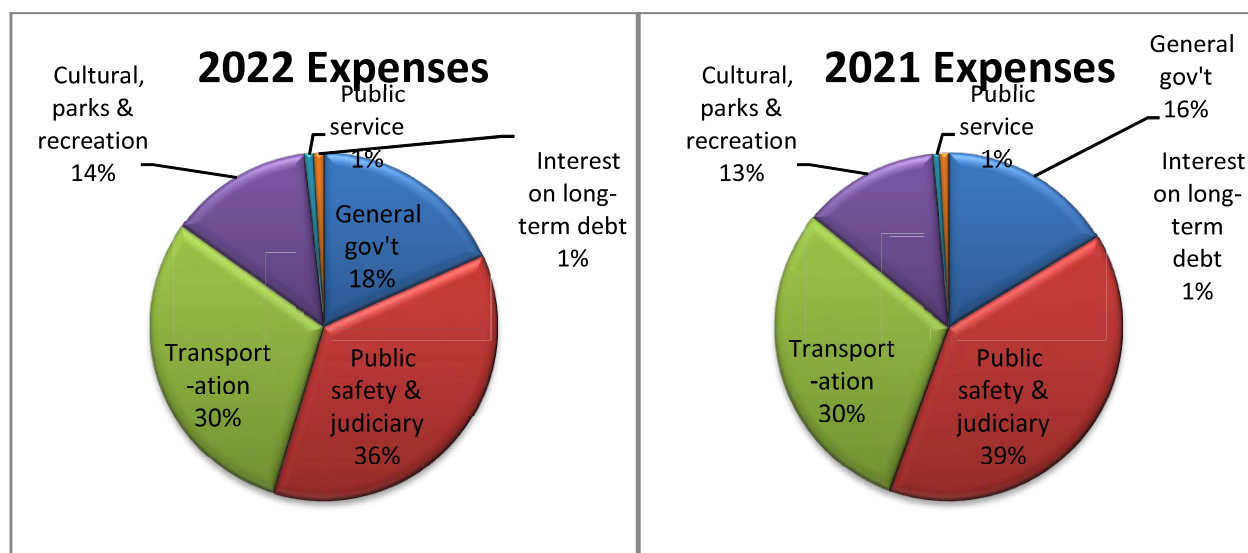
	Summary of Changes in Net Position							
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2022	2021	2022	2021	2022	2021		
<b>Revenues</b>								
Program revenues	\$ 530,156	\$ 485,428	\$ 7,120,698	\$ 4,822,779	\$ 7,650,854	\$ 5,308,207	\$ 2,342,647	44%
Taxes and other general revenues	3,717,690	2,971,757	2,810	3,471	3,720,500	2,975,228	745,272	25%
<b>Total revenues</b>	<b>4,247,846</b>	<b>3,457,185</b>	<b>7,123,508</b>	<b>4,826,250</b>	<b>11,371,354</b>	<b>8,283,435</b>	<b>3,087,919</b>	<b>37%</b>
<b>Expenses</b>								
General government	811,447	727,714	-	-	811,447	727,714	83,733	12%
Public safety and judiciary	1,608,177	1,739,192	-	-	1,608,177	1,739,192	(131,015)	-8%
Transportation	1,338,076	1,352,010	-	-	1,338,076	1,352,010	(13,934)	-1%
Cultural, parks, and recreation	592,624	566,665	-	-	592,624	566,665	25,959	5%
Public service	35,446	26,468	-	-	35,446	26,468	8,978	34%
Interest on long-term debt	41,524	34,867	-	-	41,524	34,867	6,657	19%
Electric	-	-	3,141,966	2,346,484	3,141,966	2,346,484	795,482	34%
Water	-	-	398,483	361,647	398,483	361,647	36,836	10%
Sewer	-	-	293,023	322,132	293,023	322,132	(29,109)	-9%
Sanitation	-	-	246,508	305,152	246,508	305,152	(58,644)	-19%
Healthcare	-	-	61,274	63,626	61,274	63,626	(2,352)	-4%
Airport	-	-	348,088	303,694	348,088	303,694	44,394	15%
Administration	-	-	186,661	176,454	186,661	176,454	10,207	6%
<b>Total expenses</b>	<b>4,427,294</b>	<b>4,446,916</b>	<b>4,676,003</b>	<b>3,879,189</b>	<b>9,103,297</b>	<b>8,326,105</b>	<b>777,192</b>	<b>9%</b>
Excess (deficiency) before transfers	\$ (179,448)	\$ (989,731)	\$ 2,447,505	\$ 947,061	\$ 2,268,057	\$ (42,670)	\$ 2,310,727	-5415%
Transfers - internal	1,463,373	1,211,861	(1,463,373)	(1,211,861)	-	-	-	0%
Transfers to lessee- healthcare	(874,968)	(789,480)	-	-	(874,968)	(789,480)	(85,488)	0%
<b>Change in net position</b>	<b>408,957</b>	<b>(567,350)</b>	<b>984,132</b>	<b>(264,800)</b>	<b>1,393,089.00</b>	<b>(832,150)</b>	<b>2,225,239</b>	<b>-267%</b>
Beginning net position	6,121,902	7,038,359	12,976,519	13,216,986	19,098,421	20,255,345	(1,156,924)	-6%
Prior period adjustment	-	(349,107)	-	24,333	-	(324,774)	324,774	
<b>Ending net position</b>	<b>\$ 6,530,859</b>	<b>\$ 6,121,902</b>	<b>\$ 13,960,651</b>	<b>\$ 12,976,519</b>	<b>\$ 20,491,510</b>	<b>\$ 19,098,421</b>	<b>\$ 1,393,089</b>	<b>7%</b>

Revenues for the City increased 37.28% over the prior year. This increase in revenues is mainly attributable to a grants, increase in utility revenues, and pension change. Operating expenses increased compared prior fiscal year 2021 with an 9.33% change.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.

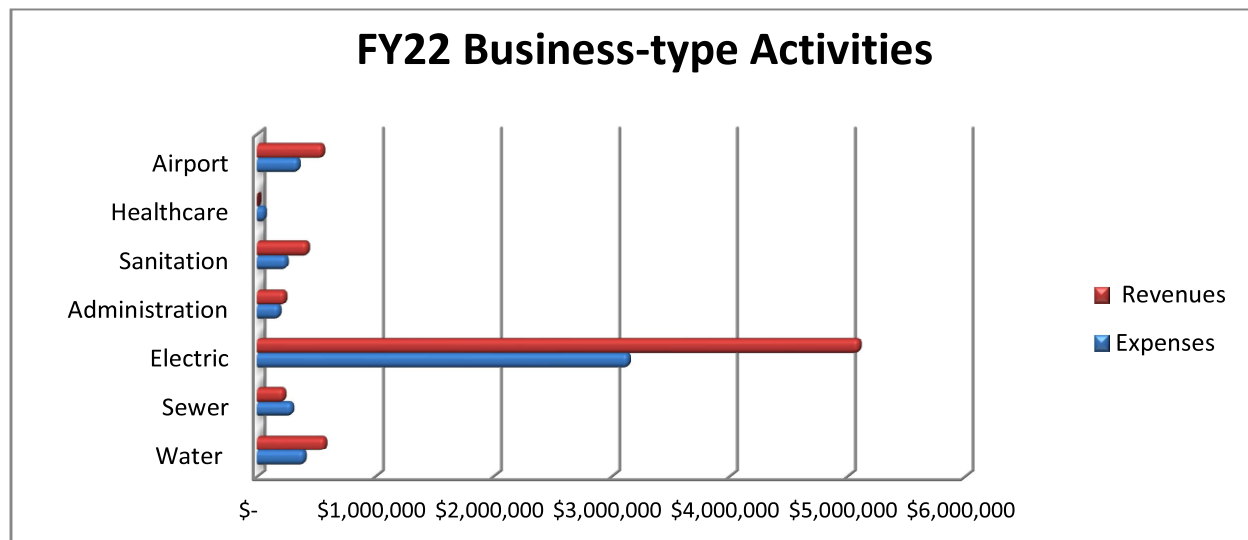


Taxes provided 72% of the City's governmental revenues in fiscal year 2022. Public safety and judiciary followed as the second major revenue source accounting for 9% of governmental revenues.



For the year ended June 30, 2022, total expenses for governmental activities were \$4,427,294. Of this amount, public safety and judiciary with \$1,608,177 was the largest operating service department at 36% of the total cost of services for governmental activities. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and transfers in from the Light and Water fund. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

### Business-type Activities



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, Water, and Electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

For the fiscal year ended June 30, 2022, revenues from electric, water, sanitation, administration and airport covered the cost of operating their respective departments.

**General Fund Budgetary Highlights**

The adopted budget for the General Fund for fiscal year 2022 was \$3,746,922. Actual expenses were \$313,997 less than budgeted amounts. The General Fund budget complied with financial policies approved by the City.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2022, the City had \$16,294,601 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

**Primary Government Capital Assets (net of accumulated depreciation)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
<b>Non-Depreciable Assets</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Land	\$ 713,545	\$ 713,545	\$ 73,020	\$ 73,020	\$ 786,565	\$ 786,565
Construction in progress	-	53,829	539,739	283,823	539,739	337,652
<b>Depreciable Assets</b>						
Buildings	1,551,068	1,618,227	3,335,908	3,358,851	4,886,976	4,977,078
Machinery & equipment	831,748	879,983	685,605	575,765	1,517,353	1,455,748
Utility property & improvements	2,893,227	3,316,972	6,633,802	7,037,812	9,527,029	10,354,784
<b>Totals</b>	<b>\$ 5,989,588</b>	<b>\$ 6,582,556</b>	<b>\$ 11,268,074</b>	<b>\$ 11,329,271</b>	<b>\$ 17,257,662</b>	<b>\$ 17,911,827</b>

- In Governmental Activities, the most significant additions included the splash pad, drainage for Workman and A Streets, MSA air packs and bunker gear for the fire department, and various other smaller additions.
- In Business-type activities capital additions included airport runway rehab, airport chain link fence, boss sweeping system, a trailer mounted vacuum excavator, a radar signal detection system, 3 phase reclosers, transformers, and a disposal auger & grinder.

**Long-Term Debt**

At year-end, the City had \$1,344,999 in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

**Primary Government Long-Term Debt**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Notes payable	-	-	-	-
Capital lease obligation	444,999	508,625	-	-
Bonds payable	900,000	990,000	-	-
less current portion	(106,811)	(153,626)	-	-
<b>Totals</b>	<b>\$ 1,238,188</b>	<b>\$ 1,344,999</b>	<b>\$ -</b>	<b>\$ -</b>

## **ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

### **Economic Environment**

In many ways the state and national economies have recovered from the damage wrought by the COVID-19 pandemic. While income and output have long since risen above their pre-pandemic levels, in large part spurred by fiscal and monetary stimulus and state and national employment are just now returning to pre-pandemic levels. Even though the major economic aggregates have recovered, the economy has not fully returned to pre-pandemic form

Inflation has turned out to be far higher and longer-lasting than government officials had forecast. The Federal Reserve has embarked on a tightening of monetary policy, raising fears of a recession. Fueling Oklahoma's growth is a rebound in the energy sector. Oil and natural gas prices dramatically rebounded from their pandemic declines. The war in Ukraine and limited supply responses by the US and OPEC nations are anticipated to support the continued higher oil prices. This has increased energy sector employment. Following the nation, the Oklahoma economy will continue its recovery for the rest of 2021 and into 2022. Oklahoma's growth is forecast to be slower than growth nationwide, though unemployment will continue to be relatively lower in the state.

### **Fiscal Year 2023**

The City elected the Municipal Budget Act. Recurring revenues, including sales and use taxes, were budgeted at 90%. Utility revenue rate increases were budgeted at 2% in electric, water, sewer, and garbage. The \$2 per meter fee surcharge for roll off rentals was eliminated. A pay increase was budgeted to align compensation with positions & responsibilities. Utility capital improvement fees were also budgeted to assist the City in keeping updated equipment. \$5.7 million in capital improvements were budgeted to implement the vision of the City Council to increase investment in the City and infrastructure to assist with economic development and to improve the quality of life for the citizens of Watonga.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Watonga City Hall.



**City of Watonga, Oklahoma**  
**Statement of Net Position**  
**June 30, 2022**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current Assets:				
Cash and cash equivalents	\$ 1,848,110	\$ 2,334,555	\$ 4,182,665	\$ 105,388
Investments	1,200,002	150,000	1,350,002	-
Sales, use & other taxes receivable	202,657	-	202,657	-
Accounts receivable (net)	39,184	632,536	671,720	-
Grants receivable	-	417,884	417,884	-
Prepays	-	-	-	-
Internal balances	27,419	(27,419)	-	-
Total current assets	3,317,372	3,507,556	6,824,928	105,388
Restricted assets:				
Cash and cash equivalents	58,917	-	58,917	-
Total restricted assets	58,917	-	58,917	-
Noncurrent Assets:				
Pension asset	376,349	-	376,349	-
Land and construction in progress	713,545	612,759	1,326,304	-
Other capital assets (net of accumulated depreciation)	5,276,043	10,655,315	15,931,358	1,620
Total noncurrent assets	6,365,937	11,268,074	17,634,011	1,620
Total assets	9,742,226	14,775,630	24,517,856	107,008
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on pension obligations	\$ 705,733	\$ -	\$ 705,733	\$ -
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 81,619	\$ 786,227	\$ 867,846	\$ -
Wages and benefits payable	62,269	14,052	76,321	-
Interest payable	2,249	-	2,249	-
Compensated absences	47,322	14,700	62,022	-
Due to other governments	214,113	-	214,113	-
Notes payable, current	19,327	-	19,327	-
Bonds payable, current	90,000	-	90,000	-
Total current liabilities	516,899	814,979	1,331,878	-
Noncurrent liabilities:				
Pension liability	481,725	-	481,725	-
Notes payable	425,672	-	425,672	-
Bonds payable, net of premium	804,411	-	804,411	-
Total noncurrent liabilities	1,711,808	-	1,711,808	-
Total liabilities	2,228,707	814,979	3,043,686	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred charges on pension obligations	1,688,393	-	1,688,393	-
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	5,026,527	11,268,074	16,294,601	-
Reserved for restricted purposes	179,901	-	179,901	107,008
Unrestricted	1,324,431	2,692,577	4,017,008	-
Total net position	\$ 6,530,859	\$ 13,960,651	\$ 20,491,510	\$ 107,008

**City of Watonga, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Primary Government	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Net (Expense)/Revenue	
<b>Primary government</b>						
Governmental activities:						
General government	\$ 811,447	\$ 12,416	\$ 75,592	\$ 248,098	\$ (475,341)	\$ -
Public safety and judiciary	1,608,177	164,457	7,858	-	(1,435,862)	-
Transportation	1,338,076	7,000	-	-	(1,331,076)	-
Cultural, parks and recreation	592,624	-	14,735	-	(577,889)	-
Public service	35,446	-	-	-	(35,446)	-
Interest on long-term debt	41,524	-	-	-	(41,524)	-
Total governmental activities	<u>4,427,294</u>	<u>183,873</u>	<u>98,185</u>	<u>248,098</u>	<u>(3,897,138)</u>	<u>-</u>
Business-type activities:						
Water	398,483	573,218	-	-	174,735	-
Sewer	293,023	227,273	-	-	(65,750)	-
Electric	3,141,966	5,099,936	-	-	1,957,970	-
Administration	186,661	238,449	-	-	51,788	-
Sanitation	246,508	426,510	-	-	180,002	-
Healthcare	61,274	-	-	-	(61,274)	-
Airport	348,088	88,653	-	466,659	207,224	-
Total business-type activities	<u>4,676,003</u>	<u>6,654,039</u>	<u>-</u>	<u>466,659</u>	<u>2,444,695</u>	<u>-</u>
Total primary government	<u>\$ 9,103,297</u>	<u>\$ 6,837,912</u>	<u>\$ 98,185</u>	<u>\$ 714,757</u>	<u>\$ (1,452,443)</u>	<u>\$ -</u>
<b>Component units</b>						
Watonga Municipal Library	<u>\$ 1,312</u>	<u>\$ 9,326</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 8,014</u>

**City of Watonga, Oklahoma**  
**Statement of Activities (continued)**  
**Year Ended June 30, 2022**

**Changes in Net Position:**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
Net (expense)/revenue	\$ (3,897,138)	\$ 2,444,695	\$ (1,452,443)	\$ 8,014
General revenues:				
Taxes:				
Sales tax	2,320,324	-	2,320,324	-
Use tax	294,907	-	294,907	-
Franchise tax	26,397	-	26,397	-
Property tax	114,351	-	114,351	-
Other taxes	137,725	-	137,725	-
522 District income	204,000	-	204,000	-
Oil and gas royalties	332,970	-	332,970	-
Investment income	9,879	2,810	12,689	44
Pension change	216,010	-	216,010	-
Miscellaneous	61,127	-	61,127	-
Transfers-Internal activity	1,463,373	(1,463,373)	-	-
Transfers to lessee- healthcare	(874,968)	-	(874,968)	-
Total general revenues and transfers	<u>4,306,095</u>	<u>(1,460,563)</u>	<u>2,845,532</u>	<u>44</u>
Change in net position	408,957	984,132	1,393,089	8,058
Net position-beginning as previously reported	6,121,902	12,976,519	19,098,421	98,950
			-	
Net position-ending	<u>\$ 6,530,859</u>	<u>\$ 13,960,651</u>	<u>\$ 20,491,510</u>	<u>\$ 107,008</u>

**City of Watonga, Oklahoma**  
Balance Sheet  
June 30, 2022

	General Fund	Street and Alley Fund	Debt Service	Hospital Special Revenue	Sales Tax (Capital Improvement)	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,164,770	\$ 117,908	\$ 58,917	\$ -	\$ 292,292	\$ 273,140	\$ 1,907,027
Investments	1,140,002	-	-	-	60,000	-	1,200,002
Sales, use & other taxes receivable	113,187	2,212	864	69,115	17,279	-	202,657
Revenue & other receivable	39,184	-	-	-	-	-	39,184
Due from other funds	50,342	-	-	-	-	-	50,342
Prepays	-	-	-	-	-	-	-
Total assets	<u>\$ 2,507,485</u>	<u>\$ 120,120</u>	<u>\$ 59,781</u>	<u>\$ 69,115</u>	<u>\$ 369,571</u>	<u>\$ 273,140</u>	<u>\$ 3,399,212</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 81,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,619
Wages and benefits payable	62,269	-	-	-	-	-	62,269
Compensated absences	47,322	-	-	-	-	-	47,322
Due to other governments	214,113	-	-	-	-	-	214,113
Due to other funds	16,172	-	-	-	6,751	-	22,923
Total liabilities	<u>421,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,751</u>	<u>-</u>	<u>428,246</u>
<b>FUND BALANCES</b>							
Restricted	-	120,120	59,781	-	-	-	179,901
Committed	-	-	-	69,115	362,820	-	431,935
Assigned	-	-	-	-	-	273,140	273,140
Unassigned	2,085,990	-	-	-	-	-	2,085,990
Total fund balances	<u>2,085,990</u>	<u>120,120</u>	<u>59,781</u>	<u>69,115</u>	<u>362,820</u>	<u>273,140</u>	<u>2,970,966</u>
Total liabilities and fund balances	<u>\$ 2,507,485</u>	<u>\$ 120,120</u>	<u>\$ 59,781</u>	<u>\$ 69,115</u>	<u>\$ 369,571</u>	<u>\$ 273,140</u>	<u>\$ 3,399,212</u>
Total fund balance- total governmental funds							\$ 2,970,966
Amounts reported for governmental activities in the Statement of Net Position are different because:							
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported						713,545	
Land and construction in process						28,384,473	
Capital assets						(23,108,430)	
Less: Accumulated depreciation							5,989,588
Long-term portion of liabilities are not due and payable in the current period and are not reported							(894,411)
Bonds payable, net							(444,999)
Capital lease obligation							(2,249)
Interest payable							376,349
Net pension asset							705,733
Pension related deferred outflows							(481,725)
Net pension liability							(1,688,393)
Pension related deferred inflows							
Net assets of governmental activities							\$ 6,530,859

**City of Watonga, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2022**

	General Fund	Street and Alley Fund	Debt Service	Hospital Special Revenue	Sales Tax (Capital Improve)	Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>							
Sales tax	\$ 1,177,392	\$ -	\$ -	\$ 907,454	\$ 235,478	\$ -	\$ 2,320,324
Use tax	294,907	-	-	-	-	-	294,907
Franchise tax	26,397	-	-	-	-	-	26,397
Other taxes	111,414	26,311	-	-	-	-	137,725
Property taxes	-	-	114,351	-	-	-	114,351
522 District income	204,000	-	-	-	-	-	204,000
Licenses and permits	4,866	-	-	-	-	-	4,866
Rents & royalties	332,970	-	-	-	-	-	332,970
Fines and forfeitures	50,057	-	-	-	-	-	50,057
Charges for services	114,400	6,115	-	-	-	-	120,515
Intergovernmental revenues	70,092	-	-	-	-	267,596	337,688
Donations	-	-	-	-	-	2,020	2,020
Other revenues	75,252	885	-	-	86	-	76,223
Interest	9,416	135	70	-	268	-	9,879
Total revenues	2,471,163	33,446	114,421	907,454	235,822	269,616	4,031,922
<b>EXPENDITURES</b>							
<b>Current</b>							
General government:							
General government	484,567	-	300	-	-	-	484,867
Managerial	109,127	-	-	-	-	-	109,127
City clerk	94,697	-	-	-	-	-	94,697
City treasurer	19,033	-	-	-	-	-	19,033
City attorney	59,226	-	-	-	-	-	59,226
Total general government	766,650	-	300	-	-	-	766,950
Public safety and judiciary:							
Municipal court	12,725	-	-	-	-	-	12,725
Police	618,984	-	-	-	-	541	619,525
Fire	378,891	-	-	-	-	1,131	380,022
EMS	386,305	-	-	-	-	-	386,305
Code enforcement	77,845	-	-	-	-	-	77,845
Total public safety and judiciary	1,474,750	-	-	-	-	1,672	1,476,422
Transportation:							
Street	656,386	-	-	-	-	-	656,386
Total transportation	656,386	-	-	-	-	-	656,386
Cultural, parks and recreation:							
Library	231,471	-	-	-	-	11,519	242,990
Park	253,418	-	-	-	5,975	-	259,393
Total cultural, parks and recreation	484,889	-	-	-	5,975	11,519	502,383
Public service:							
Airport	35,446	-	-	-	-	-	35,446
Total public service	35,446	-	-	-	-	-	35,446
Capital outlay	39,219	168,308	-	-	132,020	15,443	354,990
<b>Debt service</b>							
Principal	-	-	90,000	-	63,731	-	153,731
Interest	-	-	30,555	-	10,790	-	41,345
Fiscal charges	-	-	-	-	-	-	-
Total expenditures	3,457,340	168,308	120,855	-	212,516	28,634	3,987,653
Excess (deficiency) of revenues over expenditures	(986,177)	(134,862)	(6,434)	907,454	23,306	240,982	44,269
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	1,793,236	1,040	-	-	95,440	-	1,889,716
Transfers out	(93,623)	-	-	(398)	(108,511)	(223,811)	(426,343)
Transfers out to lessee- healthcare	-	-	-	(874,988)	-	-	(874,988)
Premium on bonds	-	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-	-
Total other financing sources and uses	1,699,613	1,040	-	(875,366)	(13,071)	(223,811)	588,405
Net change in fund balances	713,436	(133,822)	(6,434)	32,088	10,235	17,171	632,674
Fund balances - beginning	1,372,554	255,942	66,215	37,027	352,585	255,969	2,338,292
Fund balances - ending	\$ 2,085,990	\$ 120,120	\$ 59,781	\$ 69,115	\$ 362,820	\$ 273,140	\$ 2,970,966

**City of Watonga, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2022**

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Reconciliation of the change in fund balances - total governmental funds  
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ 632,674
Amounts reported for governmental activities in the Statement of Activities are different because:	

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized	354,990	
Depreciation expense	<u>(947,959)</u>	(592,969)

Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension. The fund financial statements report pension contributions as expenditures.	216,010
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The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt principal payments	90,000	
Capital lease principal payments	63,626	
Premium on bonds	(563)	
Change in bond interest payable	179	

Change in Net Position of Governmental Activities	<u>\$ 408,957</u>
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**City of Watonga, Oklahoma**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2022**

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Economic Development Authority	Total Enterprise Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,197,541	\$ -	\$ 136,914	\$ 100	\$ 2,334,555
Investments	150,000	-	-	-	150,000
Accounts receivable, net	632,536	-	-	-	632,536
Grants receivable	-	-	417,884	-	417,884
Due from other funds	16,172	-	-	-	16,172
Total current assets	<u>2,996,249</u>	<u>-</u>	<u>554,798</u>	<u>100</u>	<u>3,551,147</u>
Noncurrent assets:					
Capital assets (net)	7,149,905	1,689,425	2,428,744	-	11,268,074
Total noncurrent assets	<u>7,149,905</u>	<u>1,689,425</u>	<u>2,428,744</u>	<u>-</u>	<u>11,268,074</u>
<b>Total assets</b>	<b>\$ 10,146,154</b>	<b>\$ 1,689,425</b>	<b>\$ 2,983,542</b>	<b>\$ 100</b>	<b>\$ 14,819,221</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 368,050	\$ -	\$ 418,177	\$ -	\$ 786,227
Wages and benefits payable	14,052	-	-	-	14,052
Compensated absences	14,700	-	-	-	14,700
Due to other funds	381	-	43,210	-	43,591
Notes payable, current	-	-	-	-	-
Total current liabilities	<u>397,183</u>	<u>-</u>	<u>461,387</u>	<u>-</u>	<u>858,570</u>
Noncurrent liabilities:					
Notes payable, non-current	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b>397,183</b>	<b>-</b>	<b>461,387</b>	<b>-</b>	<b>858,570</b>
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	7,149,905	1,689,425	2,428,744	-	11,268,074
Unrestricted	<u>2,599,066</u>	<u>-</u>	<u>93,411</u>	<u>100</u>	<u>2,692,577</u>
<b>Total net position</b>	<b>\$ 9,748,971</b>	<b>\$ 1,689,425</b>	<b>\$ 2,522,155</b>	<b>\$ 100</b>	<b>\$ 13,960,651</b>

City of Watonga, Oklahoma  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2022

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Economic Development Authority	Total Enterprise Funds
<b><u>Operating revenues:</u></b>					
Charges for services:					
Water charges	\$ 573,218	\$ -	\$ -	\$ -	\$ 573,218
Sewer charges	227,273	-	-	-	227,273
Electric charges	5,099,936	-	-	-	5,099,936
Sanitation charges	426,510	-	-	-	426,510
Sale of fuel	-	-	49,170	-	49,170
Penalties	67,655	-	-	-	67,655
Total charges for services	6,394,592	-	49,170	-	6,443,762
Lease and rental income	-	-	24,770	-	24,770
Other fees and charges	170,794	-	14,713	-	185,507
Total operating revenues	6,565,386	-	88,653	-	6,654,039
<b><u>Operating expenses:</u></b>					
Cost of sales	2,782,035	-	26,619	-	2,808,654
Personal services	495,766	-	-	-	495,766
Materials and supplies	205,774	-	14,198	-	219,972
Other services and charges	184,118	-	98,638	-	282,756
Depreciation and amortization	598,948	61,274	208,633	-	868,855
Total operating expenses	4,266,641	61,274	348,088	-	4,676,003
Net operating income	2,298,745	(61,274)	(259,435)	-	1,978,036
<b><u>Nonoperating revenue (expense):</u></b>					
Contributions	-	-	-	-	-
Investment income	2,755	-	55	-	2,810
Oil and gas royalties	-	-	-	-	-
Grant income	-	-	466,659	-	466,659
Interest expense	-	-	-	-	-
Total nonoperating revenue/(expense)	2,755	-	466,714	-	469,469
<b>Net income before contributions and transfers</b>	2,301,500	(61,274)	207,279	-	2,447,505
<b><u>Contributions and transfers:</u></b>					
Transfers from other funds	56,303	-	104,319	100	160,722
Transfers to other funds	(1,575,889)	(11)	(48,195)	-	(1,624,095)
<b>Change in net position</b>	781,914	(61,285)	263,403	100	984,132
Net position-beginning of year	8,967,057	1,750,710	2,258,752	-	12,976,519
Prior period adjustment	-	-	-	-	-
<b>Net position-end of year</b>	<u>\$ 9,748,971</u>	<u>\$ 1,689,425</u>	<u>\$ 2,522,155</u>	<u>\$ 100</u>	<u>\$ 13,960,651</u>



**City of Watonga, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2022**

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Public Works Authority	Total Enterprise Funds
<b><u>Cash flows from operating activities:</u></b>					
Receipts from customers	\$ 6,296,149	\$ -	\$ 88,653	\$ -	\$ 6,384,802
Payments to suppliers	(3,135,758)	-	220,977	-	(2,914,781)
Payments to employees	(494,571)	-	-	-	(494,571)
<b>Net cash provided (used) by operating activities</b>	<b>2,665,820</b>	<b>-</b>	<b>309,630</b>	<b>-</b>	<b>2,975,450</b>
<b><u>Cash flows from non-capital financing activities:</u></b>					
Receipts (payments) from interfund loan agreements	33,607	-	43,210	-	76,817
Oil & gas royalties	-	-	-	-	-
Transfers from other funds	56,303	-	104,319	100	160,722
Transfers to other funds	(1,575,889)	(11)	(48,195)	-	(1,624,095)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(1,485,979)</b>	<b>(11)</b>	<b>99,334</b>	<b>100</b>	<b>(1,386,556)</b>
<b><u>Cash flows from capital and related financing activities:</u></b>					
Capital grants and contributions	-	-	104,375	-	104,375
Purchases of capital assets	(325,975)	-	(481,683)	-	(807,658)
Principal paid on capital debt	-	-	-	-	-
Interest paid on capital debt	-	-	-	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(325,975)</b>	<b>-</b>	<b>(377,308)</b>	<b>-</b>	<b>(703,283)</b>
<b><u>Cash flows from investing activities:</u></b>					
Investment income	2,755	-	55	-	2,810
<b>Net cash provided (used) by investing activities</b>	<b>2,755</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>2,810</b>
Net increase (decrease) in cash and cash equivalent	856,621	(11)	31,711	100	888,421
Cash & cash equivalents, June 30, 2021	1,340,920	11	105,203	-	1,446,134
Cash & cash equivalents, June 30, 2022	<u>\$ 2,197,541</u>	<u>\$ -</u>	<u>\$ 136,914</u>	<u>\$ 100</u>	<u>\$ 2,334,555</u>
Cash, including time deposits	<u>\$ 2,197,541</u>	<u>\$ -</u>	<u>\$ 136,914</u>	<u>\$ 100</u>	<u>\$ 2,334,555</u>
Total cash and cash equivalents, end of year	<u>\$ 2,197,541</u>	<u>\$ -</u>	<u>\$ 136,914</u>	<u>\$ 100</u>	<u>\$ 2,334,555</u>
<b><u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u></b>					
Operating income (loss)	\$ 2,298,745	\$ (61,274)	\$ (259,435)	\$ -	\$ 1,978,036
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	598,948	61,274	208,633	-	868,855
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(269,237)	-	-	-	(269,237)
Increase (decrease) in accounts payable	35,369	-	360,432	-	395,801
Increase (decrease) in wages and benefits pay	1,195	-	-	-	1,195
Increase (decrease) in other liabilities	800	-	-	-	800
Total adjustments	367,075	61,274	569,065	-	997,414
<b>Net cash provided (used) by operating activities</b>	<b>\$ 2,665,820</b>	<b>\$ -</b>	<b>\$ 309,630</b>	<b>\$ -</b>	<b>\$ 2,975,450</b>

**City of Watonga, Oklahoma**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

	<b>Meter Deposit Fund</b>	<b>Municipal Court Bond Fund</b>	<b>Total Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 238,720	\$ 17,397	\$ 256,117
Cash and investments, restricted	127,000	-	127,000
Total assets	<u>\$ 365,720</u>	<u>\$ 17,397</u>	<u>\$ 383,117</u>
<b>LIABILITIES</b>			
Bonds and deposits subject to refund	\$ 365,720	\$ 17,397	\$ 383,117
Due to other funds		-	-
Total liabilities	<u>\$ 365,720</u>	<u>\$ 17,397</u>	<u>\$ 383,117</u>

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Watonga, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2022.

**A. Reporting Entity**

***Fund Types and Major Funds***

**Major Governmental Funds**

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Street and Alley Fund

Accounts for the legally restricted gasoline and commercial vehicle taxes. Funds are used for maintenance and repair of streets and street equipment.

Debt Service Fund

Accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt.

Hospital Special Revenue Fund

Accounts for the 2% sales tax restricted for the Hospital Authority's capital expenditures and the transfer to the Hospital Authority.

Sales Tax (Capital Improvement) Fund

Accounts for the capital expenditures of the 1% limited purpose sales tax.

General Obligation Bonds

Accounts for the proceeds of the General Obligation Hospital Funding Bonds of 2013 which were issued June 1, 2013 to pay obligations incurred in the operations, equipping and maintenance of the Watonga Municipal Hospital as well as for all legal, financial and other costs relating to the issuance of the bonds.

**Non-Major Governmental Funds**

Grant Fund

Established as a special revenue fund to account for the City's grant programs

Library Fund

Established as a special revenue fund to account for the operations of the municipal library.

**Major Proprietary Funds**

Light and Water Fund

Accounts for the operating activities of the electric, water, sewer, and sanitation utilities of the City.

Public Works Authority

Accounts for the operating activities of the municipal airport.

Watonga Hospital Authority

Accounts for the leasing activities of the municipal hospital to Mercy.

**Fiduciary Component Units (reported in fiduciary financial statements)**

Agency Fund

Accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's Agency Funds Are used to account for various deposits and bonds below:

Meter Deposit Fund

Accounts for utility deposits received by customers.

Municipal Court Bond Fund

Accounts for bonds held by the City related to the municipal court operations.

**Component Units**

The accompanying financial statements present the City's primary government and component units for which the City is considered to be financially accountable. Financial accountability is based primarily on certain authoritative, operational or financial relationships with the City (as distinct from legal relationships).

**Discretely Presented Component Units**

Watonga Municipal Library

Established to account for the operations of the Library. It is governed by a Board that is appointed by the City Council of the City of Watonga, OK.

**B. Basic Financial Statements**

***Government-wide Financial Statements***

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns.

***Measurement Focus and Basis of Accounting***

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**C. Budget Policy and Practice**

***Budget Approval***

The City Manager submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. Council sessions are held, the budget is presented to the City Council for review, and a public hearing is held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies.

***Compliance***

At June 30, 2022, the City was in material compliance with Oklahoma budgeting regulations.

**D. Policies Related to Assets, Liabilities, and Fund Equity**

***Cash and Investments***

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

***Due from other governments***

Significant receivables include sales tax, use tax, gasoline and motor vehicle tax receivables due from the state of Oklahoma and Blaine County. Sales and Use Tax are considered fully collectible.

***Accounts Receivable***

Significant receivables include amount due from customers primarily for utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

***Restricted Assets***

Restricted assets include assets legally restricted for capital projects at the hospital funded through sales tax directives. Restricted assets are current in nature and are reported with current assets in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

***Interfund Balances***

Generally, outstanding balances between funds reported as due to/due from other funds include outstanding charges by one fund to another for services for goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

***Capital Assets, Depreciation, and Amortization***

They City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost of \$1,000 or more as purchase and construction outlay occur.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

• Buildings	20-50 years
• Other improvements	10 years
• Machinery, furniture & equipment	5-25 years
• Infrastructure	20-40 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. An example of an item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category would be unavailable revenue from property taxes and special assessments. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. Those amounts would be deferred and recognized as an inflow of resources in the period that the amounts become available. The City does not currently have any items that qualify as a deferred inflow of resources.

***Compensated Absences***

Full –time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees at 1 day per month with a specified maximum of 65 days. Sick leave is not payable at the termination of employment. Employees are entitled to all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current

liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

***Long-Term Debt***

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

***Fund Equity***

**Fund Balance**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

**Net Position**

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

***Invested in capital assets, net of related debt***

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

***Restricted net position***

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Governmental Fund Balances**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

***Nonspendable***

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

***Restricted***

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

***Committed***

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

***Assigned***

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

***Unassigned***

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

***Prior Period Adjustments***

A prior period adjustment for overpayments in sales tax by the Oklahoma Tax Commission in the amount of \$227,838 was made in order to conform to the current period's presentation. A positive prior period adjustment was also made for CARES Act Funds received in FY21.

**E. Policies Related to Revenues and Expenses**

***Program Revenues***

**Charges for Services**

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

**Grants and Contributions**

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

**General Revenues**

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

**Sales Tax**

Effective January 2012, the City increased the sales tax levy from 4% to 5% based upon a vote of the citizens. The sales tax is levied on taxable sales within the City and is collected by the Oklahoma Tax Commission. Tax collections is remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax levied is restricted as to the use.

One percent (1%) is restricted and recorded as sales tax revenue in the Hospital Special Revenue Fund for capital improvements at the Hospital. One half percent (1/2 %) is restricted and recorded in the Sales Tax (Capital Improvement) Fund to development of the Huff-Lorang Park, other park improvements, police and fire department use, and other capital improvements. One percent (1%) is restricted and reported as healthcare transfer to Mercy Hospital in accordance with the lease dated June 22, 2012 (See note (5)C. for further information).

The remaining two percent (2 1/2%) is unrestricted and is recorded as sales tax revenue within the General Fund.

**Property Tax**

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot exceed 35%.

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October.

For the year ended June 30, 2022, the City's net assessed valuation of taxable property was \$18,335,037. The City levied 6.26 mills this year.

**(2) ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE**

**A. Assets**

***Deposits and Investments***

**Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

**Investments**

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

**CITY OF WATONGA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

<u>Types of Investments</u>	<b>Primary Government</b>			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<b>Primary government</b>				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 1,350,002	\$ 1,350,002	N/A	291.57
Total investments	<u>1,350,002</u>	<u>1,350,002</u>		
Total primary government investments	<u>\$ 1,350,002</u>	<u>\$ 1,350,002</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 1,200,002	\$ 150,000	\$ 1,350,002
Total investments	<u>\$ 1,200,002</u>	<u>\$ 150,000</u>	<u>\$ 1,350,002</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

**Restricted Assets**

	<u>Cash</u>
<i>Governmental Activities</i>	
Debt service sinking fund	\$ 58,917
GO bonds- hospital	-
Total Governmental Activities	<u>58,917</u>
<b>Total Restricted Assets</b>	<u><b>\$ 58,917</b></u>



**CITY OF WATONGA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**Capital Assets**

**Changes in Capital Assets**

	<b>Primary Government</b>			
	<b>Balance at June 30, 2021</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2022</b>
<u><i>Governmental Activities</i></u>				
<b>Non-Depreciable Assets</b>				
Land	\$ 713,545	\$ -	\$ -	\$ 713,545
Construction in Progress	53,829	-	53,829	-
<b>Depreciable Assets</b>				
Buildings & structures	4,645,680	43,404	-	4,689,084
Machinery, furniture, & equipment	4,160,882	143,279	-	4,304,161
Infrastructure & improvements	19,169,091	222,137	-	19,391,228
Total	28,743,027	408,820	53,829	29,098,018
Less accumulated depreciation	22,160,471	947,959	-	23,108,430
Governmental fixed assets, net	<u>\$ 6,582,556</u>	<u>\$ (539,139)</u>	<u>\$ (53,829)</u>	<u>\$ 5,989,588</u>
<u><i>Business-type Activities</i></u>				
<b>Non-Depreciable Assets</b>				
Land	\$ 73,020	\$ -	\$ -	\$ 73,020
Construction in Progress	283,823	454,291	198,375	539,739
<b>Depreciable Assets</b>				
Buildings & structures	9,517,970	248,948	-	9,766,918
Machinery, furniture, & equipment	2,070,008	198,643	-	2,268,651
Infrastructure & improvements	20,398,237	104,151	-	20,502,388
Total	32,343,058	1,006,033	198,375	33,150,716
Less accumulated depreciation	21,013,787	868,855	-	21,882,642
Business-type fixed assets, net	<u>\$ 11,329,271</u>	<u>\$ 137,178</u>	<u>\$ (198,375)</u>	<u>\$ 11,268,074</u>
<b>Total primary government</b>	<u>\$ 17,911,827</u>	<u>\$ (401,961)</u>	<u>\$ (252,204)</u>	<u>\$ 17,257,662</u>
	<b>Light &amp; Water Fund</b>	<b>Watonga Hospital Authority</b>	<b>Public Works Authority</b>	<b>Total Business- Type</b>
<u><i>Business-type Activities</i></u>				
<b>Non-Depreciable Assets</b>				
Land	\$ 48,070	\$ 3,950	\$ 21,000	\$ 73,020
Construction in progress	114,604	-	425,135	539,739
<b>Depreciable Assets</b>				
Buildings & structures	222,856	2,616,495	6,927,567	9,766,918
Machinery, furniture, & equipment	1,476,719	28,618	763,314	2,268,651
Infrastructure & improvements	20,502,388	-	-	20,502,388
Total	22,364,637	2,649,063	8,137,016	33,150,716
Less accumulated depreciation	(15,214,732)	(959,638)	(5,708,272)	(21,882,642)
Business-type fixed assets, net	<u>\$ 7,149,905</u>	<u>\$ 1,689,425</u>	<u>\$ 2,428,744</u>	<u>\$ 11,268,074</u>

**CITY OF WATONGA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**Depreciation Expense**

Primary Government			
Governmental Activities		Business-type Activities	
General government	\$ 44,273	Water	\$ 221,860
Public safety & judiciary	131,755	Sewer	208,725
Transportation	681,690	Electric	127,461
Cultural, parks & recreation	90,241	Administration	4,114
Total depreciation expense	<u>\$ 947,959</u>	Sanitation	36,788
		Hospital	61,274
		Airport	208,633
		Total depreciation expense	<u>\$ 868,855</u>

**B. Liabilities**

**Notes Payable**

**Governmental Activities**

The City of Watonga issued General Obligation Hospital Funding Bonds of 2013 dated June 1, 2013 in the amount of \$1,700,000 to be used for obligations incurred in the operations, equipping and maintenance of Watonga Municipal Hospital as well as all legal, financial, and other costs relating to the issuance of the bonds. Payments are made semi-annually with a variable interest rate ranging from 2.00% to 3.6%. The bonds mature June 1, 2032. \$ 900,000

On May 18, 2021, the City of Watonga entered into a lease purchase agreement with First State Bank for the purchase of the new City Hall building in the amount of \$585,000. After a down payment of \$117,000 on May 18, 2021, the loan carries an interest rate of 3.5% with 4 annual payments of \$32,601.77 beginning December 15, 2021. Effective on December 16, 2024 and thereafter on the 16<sup>th</sup> day of December every 5 years thereafter, the monthly payment owing under this Lease shall be recalculated using an interest rate equal to the lowest *Wall Street Journal* prime rate plus 0.25%; provided however the interest rate shall not fall below 3.5% per annum, maturing December 15, 2040. 444,999

\$ 1,344,999

**Changes in Long-Term Debt**

Type of Debt	Balance at July 1, 2021	Amount Issued	Amount Retired	Balance at June 30, 2022	Due Within One Year
<b>Governmental activities:</b>					
General Obligation bonds	\$ 990,000	\$ -	\$ 90,000	\$ 900,000	\$ 90,000
Lease obligations payable	508,625	-	63,626	444,999	16,811
<b>Total primary government</b>	<u>\$ 1,498,625</u>	<u>\$ -</u>	<u>\$ 153,626</u>	<u>\$ 1,344,999</u>	<u>\$ 106,811</u>

**Annual Debt Service Requirements**

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 106,811	\$ 41,756	\$ -	\$ -
2024	107,407	38,730	-	-
2025	108,025	35,547	-	-
2026	108,664	32,207	-	-
2027	109,327	28,710	-	-
2028-2032	557,421	90,463	-	-
2033-2037	127,882	35,127		
2038-2040	119,462	10,774	-	-
Totals	<u>\$ 1,344,999</u>	<u>\$ 313,314</u>	<u>\$ -</u>	<u>\$ -</u>

**(3) REVENUES AND EXPENSES**

***Interfund Transfers***

**C. Interfund Balances**

Transfers within the Primary Government primarily represent operating transfers from Light & Water Fund to General Fund and the majority of the remainder of the transfers are for capital projects.

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>GENERAL FUND</b>		
Light and Water Fund	\$ 1,558,548	\$ 56,303
Grant Fund	223,811	-
Hospital Special Revenue Fund	398	-
Sales Tax (Capital Improvement) Fund	4,192	37,220
Hospital Authority	11	-
Economic Development Fund	-	100
Public Works Authority	6,276	-
Total General Fund	<u>1,793,236</u>	<u>93,623</u>
<b>HOSPITAL SPECIAL REVENUE FUND</b>		
General Fund	-	398
Total Hospital Special Revenue Fund	<u>-</u>	<u>398</u>
<b>SALES TAX (CAPITAL IMPROVEMENT) FUND</b>		
General Fund	37,220	4,192
Light and Water Fund	16,301	-
Public Works Authority	41,919	104,319
Total Sales Tax (Cap Improve) Fund	<u>95,440</u>	<u>108,511</u>
<b>GRANT FUND</b>		
General fund	-	223,811
Total Grant Fund	<u>-</u>	<u>223,811</u>
<b>STREET AND ALLEY FUND</b>		
Light and Water Fund	1,040	-
Total Street & Alley und	<u>1,040</u>	<u>-</u>
<b>ECONOMIC DEVELOPMENT FUND</b>		
General Fund	100	-
Total Economic Development Fund	<u>100</u>	<u>-</u>
<b>LIGHT AND WATER FUND</b>		
General Fund	56,303	1,558,548
Street & Alley Fund	-	1,040
Sales Tax (Capital Improvement) Fund	-	16,301
Total Light and Water Fund	<u>56,303</u>	<u>1,575,889</u>
<b>PUBLIC WORKS AUTHORITY</b>		
General Fund	-	6,276
Sales Tax (Capital Improvement) Fund	104,319	41,919
Total Public Works Authority	<u>104,319</u>	<u>48,195</u>
<b>HOSPITAL AUTHORITY</b>		
General Fund	-	11
Total Hospital Authority	<u>-</u>	<u>11</u>
<b>GRAND TOTAL</b>	<u><u>\$ 2,050,438</u></u>	<u><u>\$ 2,050,438</u></u>

**(4) PENSION AND POST-EMPLOYMENT PLANS**

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

**A. Oklahoma Municipal Retirement Fund- Defined Benefit Plan**

Plan Description

Substantially all of the City's full-time employees, except police and firefighters, participate in a defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System (OMRF), which was established to administer pension plans for municipal employees. OMRF issues a publically available financial report that can be obtained at [www.okmrf.org](http://www.okmrf.org).

Benefits Provided

OMRF provides retirement, disability, and death benefits. Retirement benefits are determined as 3 percent of the employee's final average compensation multiplied by the employee's years of service; final average compensation is the average of the 5 highest consecutive years of salaries out of the last 10 years of service. Vesting requires 7 years of service. Members are eligible for normal retirement at age 65 with 10 years of vested service or age 62 with 30 years of vested service. The benefit is payable immediately. Early retirement is available after age 55 with 10 years of vested service. Early retirement benefits are paid at the normal retirement age, or reduced 5% per year for commencement prior to the normal retirement age.

Disability retirement is provided for member's total and permanent disability after 10 or more years of service. The accrued benefit is payable upon disablement without reduction for early payment.

In-service death benefits are payable after vesting at 50% of the accrued benefit until the death of the spouse or remarriage. If the member was not vested at the time of in-service death, member contributions are returned, if any, with interest.

Contributions

Required contribution rates are actuarially measured each year and authorized through City Ordinance. Employees are required to contribute 4.0% of paid salary. For the year ended June 30, 2022, the City's contribution was 13.35%. Contributions to the pension plan from the City were \$201,308 for the year ended June 30, 2022.

Membership

Membership in the plan is as follows:

	<u>As of July 1, 2021</u>
Inactive employees & beneficiaries receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	4
Active participants	35
<b>Total</b>	<b><u>61</u></b>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPPRS

At June 30, 2022, the City reported a liability of \$69,903 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined.

Changes to the actuarial valuation between the measurement date of the net pension liability and the City's reporting dates are not expected to have a significant effect on the net pension liability.

For the year ended June 30, 2022, the City recognized pension expense of \$15,082. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 22,903	\$ 208,006
Changes of assumptions	28,049	-
Net difference between projected and actual earnings on pension plan investments	98,610	714,673
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	201,308	-
<b>Total</b>	<b><u>\$ 350,870</u></b>	<b><u>\$ 922,679</u></b>

**CITY OF WATONGA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

Other amounts reported deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2023	\$ (180,816)
2024	(222,639)
2025	(187,364)
2026	(182,298)
2024	-
Thereafter	-
	<u><u>\$ (773,117)</u></u>

*Actuarial assumptions:* The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	<b>2.75 percent</b>
<b>Salary increases</b>	<b>4.5% to 7.5%</b>
<b>Investment rate of return</b>	<b>7.50 percent, net of pension plan investment expense and inflation</b>

Mortality rates were based on the PubG-2010. Valuation rates are projected for mortality improvement by the Society of Actuaries' table AA based upon the employee's year of birth.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period ended July 1, 2016 through June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

	<b>Target Allocation</b>	<b>Real Return</b>	<b>Weighted Return</b>
Large cap stocks - S&P 500	25%	5.80%	1.45%
Small/mid cap stocks - Russell 2500	10%	6.40%	0.64%
Long/short equity - MSCI ACWI	10%	5.00%	0.50%
International stocks - MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate - NCREIF	5%	4.60%	0.23%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	<u>100%</u>		
	Average Real Return		4.75%
	Inflation		<u>2.75%</u>
	Long term expected return		<u><u>7.50%</u></u>

*Discount rate:* The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.50%, as prescribed by paragraph 26 of GASB 68 when the plan's fiduciary net position is projected to be sufficient to make projected benefit payments. The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, in accordance with paragraph 29, the evaluations required by paragraph 27 to determine the sufficiency pension plan assets can be made without a separate projection of cash flows..

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Changes in the Net Pension Liability

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at June 30, 2020</b>	5,545,899	4,452,329	1,093,570
<b>Changes for the year:</b>			
Service cost	170,099	-	170,099
Interest cost	403,208	-	403,208
Differences between expected and actual experience	(100,426)	-	(100,426)
Assumption changes	-	-	-
Contributions - employer	-	225,412	(225,412)
Contributions - employee	-	55,661	(55,661)
Net investment income	-	1,224,547	(1,224,547)
Benefit payments, including refunds of employee contributions	(345,824)	(345,824)	-
Administrative expense	-	(9,072)	9,072
Other changes	-	-	-
<b>Net changes</b>	<b>127,057</b>	<b>1,150,724</b>	<b>(1,023,667)</b>
<b>Balances at June 30, 2021</b>	<b>\$ 5,672,956</b>	<b>\$ 5,603,053</b>	<b>\$ 69,903</b>

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate:* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
City's proportionate share of the net pension liability/(asset)	670,705	69,903	600,286

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued OMRF financial report.

**B. Defined Benefit Cost-Sharing, Multiple Employer Pension Plans**

Plan Description

The City of Watonga, as the employer, participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters.

Under Title 36-312.1 of the State of Oklahoma Statutes, 14% and 34% of taxes collected for insurance premium taxes is allocated and distributed to the Oklahoma Police Pension and Retirement System and the Oklahoma Firefighters Pension Retirement System, respectively. This provides ear-marked state taxes to help with the financing burden for the police and fire plans. The expected employer contributions expected to be funded by the State are not considered in the calculations of the net pension asset/liability and related deferred inflows, deferred outflows and pension expense.

Reporting

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents certain ten-year trend information for as many years for which information measured in conformity with the requirements of GASB 68 is available. Detailed information about the Oklahoma Police and Firefighter Plans' fiduciary net position is available in the separately issued Oklahoma Police Pension report and the Oklahoma Firefighters Pension report. Copies of these reports may be obtained from the respective state retirement systems: Oklahoma Police Pension and Retirement System, 1001 NW 63<sup>rd</sup> Street, Suite 305, Oklahoma City OK 73116-7335 (or [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS)), and the Oklahoma Firefighters Pension and Retirement System at 4545 N Lincoln Blvd., Suite 265, Oklahoma City, OK 73105 (or [www.ok.gov/fprs](http://www.ok.gov/fprs)).

**Funding Policies, Contribution Methods, & Benefit Provisions**

	<b>Police Pension</b>	<b>Firefighters Pension</b>
Eligibility to participate	All full-time officers employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary firefighters of a participating municipality hired before age 45
Authority establishing contribution obligations & benefit provisions	State Statute	State Statute
Plan members' contribution rate	8% of covered payroll	9% of covered payroll
City's contribution rate	13% of covered payroll	14% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full-time)	20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered, if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits	20 years credited service, 2 ½% final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits
Benefits and eligibility for distribution (volunteer)	N/A	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered
Deferred retirement option	Yes, 20 years credited service with additional option to participate in deferred option plan for a maximum of 5 years	Yes, 20 years credited service with additional option to participate in deferred option plan for a maximum of 5 years

These two plans are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

**Actuarial Assumptions**

	<b>Police Pension</b>	<b>Firefighters Pension</b>
Valuation date	7/1/21	7/1/21
Provisions for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, closed
Amortization period	5 years	30 years
Actuarial asset valuation method	5-year smoothed	An expected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains losses) for the year ended on the valuation date and assuming a 7.5% interest return. 20% of any (gain) loss is amortized over 5 years. The result is constrained to a value of 80% to 120% of the fair value at the valuation
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12%	2.75% to 10.50%
Cost of living increases (maximum)	1/3 to ½ of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation)	Paid firefighters with 20 years of service prior to May 26, 1983 receive an increase of half of the dollar amt of a 2.75% of an increase in base pay. No COLA is assumed for members not eligible for this increase
Inflation	3.5%	2.75%
Source of mortality assumptions	RP-2000 Combined Blue Collar Healthy Table with age set back 4 years with fully generational improvement using scale AA	RP-2010 Public Safety Table with generational mortality improvement using MP-2018
Experience study	Actuarial assumptions were based upon results of an experience study covering the period July, 2012 to June, 2017	Actuarial assumptions were based upon results of an experience study covering the period July 1, 2013 to July 30, 2018

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Trend Information

	Police Pension					Fire Pension				
	Actuarially Determined Contribution	City Proportionate Share	City Contribution	% Contributed	State Contribution	Actuarially Determined Contribution	City Proportionate Share	City Contribution	% Contributed	State Contribution
2022	\$44,682,000	\$35,075	\$44,405,000	21.31%	\$28,368,000	\$151,539,372	\$94,762	\$37,220,559	35.15%	\$72,923,900
2021	\$39,475,000	\$34,689	\$44,226,000	24.84%	\$40,295,000	\$142,015,118	\$70,695	\$36,395,216	43.96%	\$103,591,633
2020	\$36,720,000	\$35,986	\$42,154,000	25.20%	\$39,559,000	\$150,174,973	\$65,466	\$37,693,595	45.30%	\$101,700,051
2019	\$32,798,000	\$28,108	\$40,135,000	25.64%	\$39,028,000	\$155,547,401	\$77,408	\$36,015,374	44.99%	\$100,333,324
2018	\$51,417,000	\$35,838	\$38,887,000	24.46%	\$34,283,000	\$141,509,975	\$67,877	\$34,567,211	43.04%	\$88,133,633
2017	\$45,054,000	\$31,267	\$38,533,000	25.12%	\$35,915,000	\$139,226,348	\$62,547	\$32,670,684	45.68%	\$92,330,270
2016	\$63,908,000	\$37,131	\$37,261,000	24.64%	\$35,490,000	\$142,494,951	\$67,910	\$29,001,438	44.44%	\$91,235,807
2015	\$90,283,000	\$45,503	\$35,547,000	23.10%	\$31,329,000	\$162,103,277	\$79,268	\$31,518,945	40.90%	\$79,545,329

Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems: Oklahoma Police Pension and Retirement System, 1001 NW 63<sup>rd</sup> Street, Suite 305, Oklahoma City OK 73116-7335 (or [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS)), and the Oklahoma Firefighters Pension and Retirement System at 4545 N Lincoln Blvd., Suite 265, Oklahoma City, OK 73105 (or [www.ok.gov/fprs](http://www.ok.gov/fprs)).

Net Pension Asset (Liability)

*Proportionate Share*

**Police Pension**

The Police Pension's net pension liability was allocated proportionately to the City of Watonga based on the ratio of the City's actual contributions to the Police pension, relative to the total contributions of the Police pension for the fiscal year ended June 30, 2202. The City's portion for 2021 was 0.0785% compared to .0879% for 2020.

**Firefighters Pension**

The Firefighters Pension's net pension liability was allocated proportionately to the City of Watonga based on the ratio of the City's actual contributions, relative to the total contributions for the fiscal year ended June 30, 2021. The City's portion for 2021 was 0.062533% compared to 0.04978% for 2020.

*Net Pension Asset (Liability)*

	Police Pension		Firefighters Pension	
	Total	Proportionate Share	Total	Proportionate Share
Total pension liability	(2,810,243,000)	(2,206,041)	(4,179,376,793)	(2,613,489)
Fiduciary net position	3,289,959,000	2,582,618	3,520,810,306	2,201,668
Net pension asset (liability)	479,716,000	376,577	(658,566,487)	(411,821)
Plan fiduciary net position as a percentage of the total pension liability	117.07%	117.07%	84.24%	84.24%



**CITY OF WATONGA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

	<b>Total Pension Liability</b>		<b>Plan Fiduciary Net Position</b>		<b>Net Pension Liability</b>	
	<b>(a)</b>		<b>(b)</b>		<b>(a) - (b)</b>	
	<u>POLICE</u>	<u>FIRE</u>	<u>POLICE</u>	<u>FIRE</u>	<u>POLICE</u>	<u>FIRE</u>
<b>Beginning balance *</b>	2,147,882	2,565,764	2,057,729	1,795,411	90,153	770,353
Service cost	55,533	42,023	-	-	55,533	42,023
Interest cost	155,304	184,488	-	-	155,304	184,488
Benefit term changes	-	-	-	-	-	-
Differences btwn expected and actual experience	-	117,110	-	-	-	117,110
Assumption changes	4,496	-	-	-	4,496	-
Contributions - employer	-	-	34,858	28,328	(34,858)	(28,328)
Contributions - employee	-	-	21,938	17,906	(21,938)	(17,906)
Contributions - State of OK	-	-	22,269	45,602	(22,269)	(45,602)
Net investment income	-	-	604,553	571,886	(604,553)	(571,886)
Benefit payments, including refunds	(157,174)	(295,894)	(157,174)	(256,092)	-	(39,802)
Administrative expense	-	-	(1,783)	(1,372)	1,783	1,372
<b>Ending balance</b>	<b>\$ 2,206,041</b>	<b>\$ 2,613,491</b>	<b>\$ 2,582,390</b>	<b>\$ 2,201,669</b>	<b>\$ (376,349)</b>	<b>\$ 411,822</b>

\* Represents the beginning balance based on current year proportionate shares therefore, amounts will not equal amount reported in required supplementary information for the prior year

Rate of Return and Discount Rate

*Rate of Return*

Police Pension

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 3.36%. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Firefighters Pension

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 4.03%. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Long-term Expected Rate of Return and Target Allocations*

Police Pension

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

Firefighters Pension

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

	<u>Police Pension</u>		<u>Firefighters Pension</u>
	Long-term Expected		Long-term Expected
	<u>Rate of Return</u>		<u>Rate of Return</u>
Fixed income	3.22%	Fixed income	3.53%
Domestic equity	4.55%	Domestic equity	5.73%
International equity	8.5%	International equity	8.5%
Real estate	7.97%	Real estate	7.97%
Private equity	9.36%	Other assets	4.73%
Commodities	0.00%		

*Discount Rate*

Police Pension

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by Oklahoma statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by Oklahoma statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Firefighters Pension

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by Oklahoma statutes. Projected cash flows also assume the State of Oklahoma will continue contributing an allocation of the insurance premiums, as established by Oklahoma statute. Prior to July 1, 2020, the Plan was allocated 36% of the Statewide insurance premiums tax (25.2% effective 9/1/2020). The Plan will also receive \$40,625 each year from 7/1/2020 through 6/30/2027. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return remained at 7.5% to reflect the expected asset allocation.

*Sensitivity of Net Pension Liability to Changes in the Discount Rate*

The following table presents the City's proportionate allocation of the total pension liability of the Police Pension and Firefighters Pension would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate and the resulting net pension asset (liability):

	Rate	Police Pension Net Pension Asset(Liability)	Rate	Firefighters Pension Net Pension Asset(Liability)
1% decrease	6.5%	141,142	6.5%	(643,556)
Current single discount rate	7.5%	376,349	7.5%	(411,822)
1% increase	8.5%	575,234	8.5%	(217,812)

Other Post-Employment Benefits

For the year ended June 30, 2022, the City provided no post-employment benefits (other than pension) to terminated employees.

**(5) COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

**B. Grant Program Involvement**

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**C. Mercy Hospital Watonga Inc. Lease**

On June 22, 2012 the Watonga Municipal Hospital Authority entered into an agreement to sublease the hospital for a seven year period commencing July 1, 2012 (initial term). The lease will be extended for thirteen additional one year terms unless the lessee gives written notice to the Authority at least 180 days prior to the end of the initial term or any renewal term of its desire to terminate the lease. The consideration for the lease is \$1 per year (for leasing the premises).

The Authority transferred cash and equivalents, patient accounts receivable and supplies inventory, all equipment used in the operation of the hospital. No consideration was provided. The lessee (Mercy) also assumed the Authority's accruals for salary expense, accrued employee benefits, and accrued compensated absences. The building and improvements remain property of the Authority and is leased by Mercy Hospital Watonga Inc. as noted above.

The lessee is permitted to terminate the lease, either during the initial term or any renewal term, at any time upon 120 days written notice to the Authority. Upon this sublease being terminated, the Authority will be obligated to purchase all of the lessee's property and equipment, inventory and supplies, and any other leased property on the date of termination.

Management has evaluated subsequent events through December 29, 2022, the date the financial statements were available to be issued.

**City of Watonga, Oklahoma**  
**General Fund**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2022**

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Sales tax	\$ 888,236	\$ 105,000	\$ 993,236	\$ 1,180,356	\$ 187,120
Use tax	191,015	30,000	221,015	312,024	91,009
Cigarette tax	16,826	-	16,826	17,549	723
Franchise Tax	23,923	2,000	25,923	26,398	475
Alcoholic beverage tax	101,561	(10,000)	91,561	95,683	4,122
Police fines & court fees	60,050	(20,000)	40,050	50,057	10,007
Intergovernmental revenues	-	30,500	30,500	70,092	39,592
522 District income	186,000	18,000	204,000	204,000	-
Ambulance receipts	103,264	-	103,264	110,124	6,860
Rentals, sales, miscellaneous	45,000	10,500	55,500	75,252	19,752
Oil & gas income	175,000	105,000	280,000	332,970	52,970
Licenses & permits	5,500	(2,000)	3,500	4,866	1,366
Interest Income	15,000	(6,500)	8,500	9,416	916
Total revenues	1,811,375	262,500	2,073,875	2,488,787	414,912
<b>EXPENDITURES</b>					
<u>General government:</u>					
General government:	529,921	-	529,921	475,921	54,000
Managerial:	120,418	(10,000)	110,418	109,464	954
City Clerk:	112,573	-	112,573	94,251	18,322
City Treasurer:	19,219	-	19,219	18,986	233
City Attorney:	45,000	20,000	65,000	60,322	4,678
Total General government:	827,131	10,000	837,131	758,944	78,187
<u>Public safety and judiciary:</u>					
Municipal Court:	30,219	(5,000)	25,219	15,669	9,550
Police Department:	748,769	(55,000)	693,769	635,167	58,602
Fire Department:	374,173	25,000	399,173	379,619	19,554
EMS:	459,021	(35,000)	424,021	387,191	36,830
Code Enforcement:	161,534	(65,000)	96,534	75,422	21,112
Total	1,773,716	(135,000)	1,638,716	1,493,068	145,648
<u>Transportation:</u>					
Street:	638,443	35,000	673,443	660,898	12,545
Total	638,443	35,000	673,443	660,898	12,545
<u>Culture and recreation:</u>					
Library:	342,555	(75,000)	267,555	235,609	31,946
Park:	283,577	11,000	294,577	249,056	45,521
Total Culture and recreation:	626,132	(64,000)	562,132	484,665	77,467
<u>Public services</u>					
Airport:	32,500	3,000	35,500	35,350	150
Total Public services	32,500	3,000	35,500	35,350	150
Total expenditures	3,897,922	(151,000)	3,746,922	3,432,925	313,997
Revenue over (under) expenditures	(2,086,547)	413,500	(1,673,047)	(944,138)	728,909

City of Watonga, Oklahoma  
General Fund  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in/(out)	1,290,000	509,771	1,799,771	1,699,613	(100,158)
Net other financing sources (uses)	<u>1,290,000</u>	<u>509,771</u>	<u>1,799,771</u>	<u>1,699,613</u>	<u>(100,158)</u>
Revenues and other financing sources over (under) expenditures and other uses	(796,547)	923,271	126,724	755,475	628,751
Fund balance at beginning of year (Non-GAAP budgetary basis)	1,575,500		1,575,500	1,372,554	(202,946)
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 778,953</u>	<u>\$ 923,271</u>	<u>\$ 1,702,224</u>	<u>\$ 2,128,029</u>	<u>\$ 425,805</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(42,039)	
Fund balance at end of year (GAAP basis)				<u>\$ 2,085,990</u>	

**City of Watonga, Oklahoma**  
**Schedules of Required Supplementary Information**

**Oklahoma Police Pension Retirement Plan**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Valuation date	7/1/2021	7/1/2020	7/1/2019	7/1/2018	7/1/2017	7/1/2016	7/1/2015	7/1/2014
Proportionate share	0.0785%	0.0879%	0.0948%	0.0857%	0.0697%	0.0694%	0.0581%	0.0504%
Proportionate share of the net pension liability (asset)	(376,577)	100,949	(6,052)	(40,823)	5,361	106,282	2,369	(16,969)
Proportionate share of the net pension liability (asset) of the State and other municipalities	(479,339,423)	114,744,051	(6,377,948)	(47,594,177)	7,686,639	153,037,718	4,074,631	(33,652,031)
Total plan net pension liability (asset)	<u>(479,716,000)</u>	<u>114,845,000</u>	<u>(6,384,000)</u>	<u>(47,635,000)</u>	<u>7,692,000</u>	<u>153,144,000</u>	<u>4,077,000</u>	<u>(33,669,000)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>117.07%</u>	<u>95.80%</u>	<u>100.24%</u>	<u>101.89%</u>	<u>99.68%</u>	<u>93.50%</u>	<u>99.82%</u>	<u>101.53%</u>
Covered payroll	268,138	299,036	307,400	264,582	208,494	205,707	171,573	145,909
Plan net pension liability as a percentage of covered payroll	<u>-140.44%</u>	<u>33.76%</u>	<u>-1.97%</u>	<u>-15.43%</u>	<u>2.57%</u>	<u>51.67%</u>	<u>1.38%</u>	<u>-11.63%</u>
<b>Schedule of Employer Contributions for Cost Sharing Plans (4):</b>								
Contractually Required Contribution (CRC) (5)	35,293	38,276	40,064	33,968	27,029	26,624	21,366	18,326
Contributions in Relation to CRC (6)	35,293	38,276	40,064	33,968	27,029	26,624	21,366	18,326
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	<u>271,485</u>	<u>294,431</u>	<u>308,185</u>	<u>261,292</u>	<u>207,915</u>	<u>204,800</u>	<u>164,354</u>	<u>140,969</u>
Contributions as a percentage of covered payroll	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>

(1) Amounts presented above represent the City's proportionate share presented in Note 4A

(2) This schedule is presented to illustrate the requirement to show information for 10 years. However results for valuation dates before June 30, 2014 are not available. This information will be developed prospectively until eventually 10 years of information is available

(3) The proportionate share percentages is rounded for the annual financial report so amount may vary from actuals

(4) The amounts reported represent amounts paid and covered payroll for the fiscal year indicated

(5) Contractually required contribution amounts presented do not include amounts provided by the State of Oklahoma

**City of Watonga, Oklahoma**  
**Schedules of Required Supplementary Information**

**Oklahoma Fire Pension Retirement Plan**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Valuation date	7/1/2021	7/1/2020	7/1/2019	7/1/2018	7/1/2017	7/1/2016	7/1/2015	7/1/2014
Proportionate share	0.062533%	0.049780%	0.043593%	0.049765%	0.047966%	0.044925%	0.047658%	0.048900%
Proportionate share of the net pension liability (asset)	411,821	613,246	460,632	560,178	603,280	548,855	505,846	502,862
Proportionate share of the net pension liability (asset) of the State and other municipalities	658,154,666	1,231,300,049	1,056,205,371	1,125,086,253	1,257,120,371	1,221,165,652	1,060,902,403	1,027,844,981
<b>Total plan net pension liability (asset)</b>	<b>658,566,487</b>	<b>1,231,913,295</b>	<b>1,056,666,003</b>	<b>1,125,646,431</b>	<b>1,257,723,651</b>	<b>1,221,714,507</b>	<b>1,061,408,249</b>	<b>1,028,347,843</b>
Plan fiduciary net position as a percentage of the total pension liability	84.24%	69.98%	72.85%	70.73%	66.61%	64.87%	68.27%	68.12%
Covered payroll	195,944	158,535	134,151	150,833	136,738	122,924	128,932	132,799
Plan net pension liability as a percentage of covered payroll	210.17%	386.82%	343.37%	371.39%	441.19%	446.50%	392.34%	378.66%
<b>Schedule of Employer Contributions for Cost Sharing Plans (4):</b>								
Contractually Required Contribution (CRC) (5)	28,440	22,371	18,873	20,721	19,087	17,593	18,230	18,293
Contributions in Relation to CRC (6)	28,440	22,371	18,873	20,721	19,087	17,593	18,230	18,293
Contribution deficiency	-	-	-	-	-	-	-	-
Covered payroll	203,143	159,793	134,807	148,007	136,336	125,664	130,214	130,664
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Amounts presented above represent the City's proportionate share presented in Note 4A

(2) This schedule is presented to illustrate the requirement to show information for 10 years. However results for valuation dates before June 30, 2014 are not available. This information will be developed prospectively until eventually 10 years of information is available

(3) The proportionate share percentages is rounded for the annual financial report so amount may vary from actuals

(4) The amounts reported represent amounts paid and covered payroll for the fiscal year indicated

(5) Contractually required contribution amounts presented do not include amounts provided by the State of Oklahoma





**City of Watonga, Oklahoma**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2022**

	<b>Grant Fund</b>	<b>Library Fund</b>	<b>Total Non-Major Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 272,973	\$ 167	\$ 273,140
Investments	-	-	-
Total assets	<u>\$ 272,973</u>	<u>\$ 167</u>	<u>\$ 273,140</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Assigned	<u>272,973</u>	<u>167</u>	<u>273,140</u>
Total fund balances	<u>272,973</u>	<u>167</u>	<u>273,140</u>
Total liabilities and fund balances	<u>\$ 272,973</u>	<u>\$ 167</u>	<u>\$ 273,140</u>

**City of Watonga, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year Ended June 30, 2022**

	Grant Fund	Library Fund	Total Non-Major Funds
<b><u>REVENUES</u></b>			
Rents & royalties	\$ -	\$ -	\$ -
Intergovernmental revenue	252,861	14,735	267,596
Donations	2,020	-	2,020
Other revenues	-	-	-
Interest income	-	-	-
Total revenues	<u>254,881</u>	<u>14,735</u>	<u>269,616</u>
<b><u>EXPENDITURES</u></b>			
General government:			
General government	-	-	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>
Public safety and judiciary:			
Police	541	-	541
Fire	1,131	-	1,131
Total public safety and judiciary	<u>1,672</u>	<u>-</u>	<u>1,672</u>
Cultural, parks and recreation:			
Library	-	11,519	11,519
Total cultural, parks and recreation	<u>-</u>	<u>11,519</u>	<u>11,519</u>
Capital outlay	9,202	6,241	15,443
Total expenditures	<u>10,874</u>	<u>17,760</u>	<u>28,634</u>
Excess (deficiency) of revenues over expenditures	<u>244,007</u>	<u>(3,025)</u>	<u>240,982</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	-	-	-
Transfers out	(223,811)	-	(223,811)
Total other financing sources and uses	<u>(223,811)</u>	<u>-</u>	<u>(223,811)</u>
Net change in fund balances	20,196	(3,025)	17,171
Fund balances - beginning	252,777	3,192	255,969
Fund balances - ending	<u>\$ 272,973</u>	<u>\$ 167</u>	<u>\$ 273,140</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council  
City of Watonga, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Watonga, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Watonga, Oklahoma's basic financial statements, and have issued our report thereon dated December 29, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Watonga, Oklahoma's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Watonga, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Watonga, Oklahoma's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

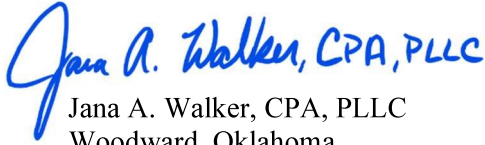
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Watonga, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jana A. Walker, CPA, PLLC  
Woodward, Oklahoma  
December 29, 2022